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TRENDS AND PROSPECTS OF INDUSTRIAL DEVELOPMENT IN ZAMBIA

(Presented by the Government of Zambia)

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TRENDS AND PROSPECTS OF INDUSTRIAL DEVELOPMENT IN ZAMBIA

Zambia attained independence in October 1964. Zambia's economy is built on copper which in recent years has provided about 60 per cent of monetary G.D.P. and over 90 per cent of the country's exports. With the soaring copper prices in 1964, the visible trade surplus was £90 million and the balance of payments surplus nearly £39 million. In 1964, G.D.P. was £340 million, which was an increase of over 16 per cent on 1963 and an increase in real output of 10 per cent.

The industrial development of Zambia was stifled by colonial trading policies, and by the economic effects of the Federation of Rhodesia and Nyasaland, which tended to attract and concentrate industry around Salisbury and Bulawayo, in Southern Rhodesia. The independent trading and industrial policy which began to be implemented after the break-up of the Federation on 31 December 1963, and which has been clearly formulated since Independence in October 1964, has resulted in a large upsurge in industrial growth in Zambia. It will be appreciated that this has been largely a period of making up the ground which was lost due to the stultifying effects of Federation.

It is recognised by the Government that certain industries should be promoted by the state. The motives for state promotion are for strategic or security reasons, or the industry's extreme importance in regard to national planning or where the industry is essential for the orderly development of the economy. There is no question of the Zambian Government nationalising industries already in existence, the policy being for state ownership of certain new basic industries and for state participation jointly with private enterprise in certain others. The remainder of the industrial field is open to private investors and the Government has created a tempting investment climate to encourage the inflow of capital for private investment.

The type of industrial investment envisaged by the Government, such as iron and steel industry or a fertilizer plant, requires a great deal of study and careful analysis. It is for this reason that the transitional

development plan, which is an extension of the old colonial type four year development plan and which is due to make way for the First Four Year Development Plan in July 1966, contains no specific provision for industry. It should be appreciated that Zambia is only now, after the brief period of consolidation since independence, in a position to take steps to co-ordinate an industrial programme. The first Four Year Development Plan will be Zambia's first attempt to use comprehensive and co-ordinated development planning to achieve social and economic goals. This plan will include specific proposals for state-owned industries, for "mixed" private-state owned industries and for the private sector. The Government will be in close consultation with the private sector in order to ensure that the private sector's investment programme is in tune with overall national development and does not suffer from a shortage of skilled manpower, foreign exchange, etc.

These last few months have brought home to the world the peculiar communications system in Central Africa. This is a relic of the territorial split of Africa during colonial times. The countries of Southern Africa, including Zambia, were and are, firmly tied together, whilst only tenuous links exist between Zambia and the countries on her Northern Borders. These facts led, logically, to Zambia's trading pattern. In 1964, Zambia imported nearly £31,000,000 of goods from Southern Rhodesia. This accounted for 39.5 per cent of Zambia's total visible imports. It will be appreciated that to change a trade pattern of this nature and magnitude calls not only for a complete re-assessment of alternate supplies, and a complete re-assessment of alternate routes, but also a large-scale programme for actually constructing alternative routes.

At the moment, Zambia's reserves of foreign exchange do not represent a constraint on national development. It is fully realised, however, that it is necessary to implement long term policies to ward off the eventuality of a shortage of foreign exchange which could limit the pace of economic development.

The greatest present constraint on development is the shortage of educated and skilled manpower. Zambia's stock of African school certificate

holders was not more than 1,200 in 1963/64 and not more than 100 Africans possessed University degrees at the same date. These facts explain the great emphasis which the Government is placing upon education and vocational training. Zambia also suffers from the Africa-wide problem of unemployment. It is estimated that in 1965, 90,000 people were seeking regular work (this figure includes both the unemployed and the under-employed in the rural areas).

PROSPECTS OF DEVELOPMENT IN PARTICULAR SECTORS OF INDUSTRY

A. Textiles

There is at present no textile industry in Zambia. It is envisaged that the state will participate along with private enterprise in this industry. A consultant has been commissioned and his report will be submitted to Government in December 1965, or January 1966. The local market is considered to be large enough to support a textile industry producing 10-12 million square yards of cloth per annum. Total capital cost is estimated at about £2,250,000 giving employment to about 550 people. Cotton is grown in Zambia and a cotton ginnery is in operation. It is anticipated that eventually all supplies of cotton lint for the textile industry will be supplied from local sources.

B. Food processing

1. Milling

Zambia is self-supporting in maize, but imports most of its other cereal requirements. Most cereal milling is carried out in Zambia.

2. Canning

Very little canning is being carried out. The possibilities are being considered. Zambia is not yet self-sufficient in beef, pork or mutton, milk and milk products, or vegetables. Many of the temperate zone fruits cannot be grown.

3. Sugar

The established sugar refinery at Ndola will be expanded, initially to a capacity of 30,000 tons a year, and eventually to a capacity of 60,000 tons a year. A sugar cane estate is in the process of being established. This estate will be producing by 1968 and should supply sufficient sugar to satisfy Zambian demand.

The first essential is to increase Zambian production of most food products. The processing of food products will develop as local production increases.

C. Forest industries

To produce the projected demands of industry and mining by 1993, for both quantities and sizes, some 160,000 acres of plantations will be required and the annual yield will then be of the order of 36,000,000 cubic feet of poles and sawlogs. The first output of sawlogs will be in 1971. To dispose satisfactorily of the very large volume of timber, other than sawn timber, generated by thinnings and waste from sawmills, it will be necessary to establish an integrated forest industries complex consisting of sawmills, board, plywood and paper mills. By the late 1980's, the volume of material available will be sufficient to meet the needs of a pulp mill of viable size capable of supplying most of Zambia's needs.

D. Building materials

1. Cement

The great burst in constructional activity due to the Transitional Development Plan and the general expansion effects of independence have led to an increase in demand for construction materials. The existing cement factory at Chilanga is working at full capacity. Extensions, at a cost of £1.1/4 million are being carried out at this factory. These extensions will increase the capacity by 107,000 tons per annum to a total of 300,000 tons per annum. In addition, a new factory is to be built at Ndola and is expected to be in operation in 1969. Lime and gypsum are obtainable in Zambia.

2. There are several Zambian manufacturers of metal doorframes and metal window-frames and their expanding capacity should be capable of meeting demands by early 1966. A factory to supply salt glazed pipes, tiles, bricks and hollow clay blocks will be in production by December 1966. Sanitary-ware is not produced in Zambia.

E. Engineering products

1. Motor Vehicles

Several international groups have set up small assembly plants in Zambia. These plants do not, at present, carry out a high degree of local manufacture.

2. Metal fabrication

Some forms of metal fabrication are carried out, mainly in connexion with mining.

3. Secondary engineering connected with mining

Wire ropes and cables, galvanized piping, steel tanks, rubber mouldings for pumps, flotation plants, drilling equipment, couplings, shanks, drill steels, etc.

F. Iron and steel - steel rolling mill

A report has been circulated to various steel makers asking them to submit propositions. Expected capacity will be 70,000 metric tons of rolled steel (bars, rods, angles, sections) and pig iron. The estimated cost is £12 million. Domestic demand will not be sufficient to take up total production and export markets must be obtained. Iron ore deposits are proved and are of good quality and of sufficient known quantity to support a mill of the proposed capacity for at least 100 years. Zambian coal supplies may not be of sufficient quality to produce a satisfactory coke. The possibilities of using charcoal or an electric process are being studied.

G. Non-ferrous metals - copper rolling and fabrications

Studies are being carried out to determine the feasibility of establishing some form of copper fabricating industry in Zambia. Cheap copper and power is readily available.

H. Basic chemicals

1. Fertilizers

Studies have reached an advanced stage in the consideration of this project. Nitrogenous fertilizer looks to have the best prospects based upon the cheap water and power available at Livingstone. It is estimated that the project would cost £8 million. The initial capacity is envisaged to be 30,000 tons per annum in terms of nitrogen equivalent. This would mean that, depending on the phasing of the project, a certain percentage of the output would need to be exported.

2. Chemical plants associated with mining - sulphuric acid

120,000 tons per annum are produced in Zambia - sufficient capacity to supply the Zambian market.

I. Crude and refined vegetable oils, edible fats, etc.

Two large international organisations have set up factories in Zambia and by the end of 1966 they will be supplying the bulk of Zambia's needs in the field of crude and refined vegetable oils, edible fats, nonsoapy detergents, soaps, margarine, polishes, disinfectants, etc. Zambian grown groundnuts form the main source for edible oils.

J. Cycle tyres and tubes

A large international concern should be in production and supplying the requirements of the Zambian market by the end of 1966.

K. Grain bag manufacturing

A bag producing factory is to be established in Lusaka with an initial capacity of 1.1/4 million bags (demand in 1965 was for 3½ million bags).

Fibre will be drawn from two types of locally produced fibre. Kenaf, which grows well in Zambia will provide one source, while doum fibre will be produced from the leaves of the doum palm (Hyphaene Ventricosa) which grows indigenously in the Feira District. Initial capital costs will be £1 million.

Much of Zambia's industry is, in comparison with the standards of developed countries, medium or small scale industry. Most of this type of industry is in the private sector. The expansion of industry has been particularly obvious in the field of clothing where the number of firms has mushroomed from about 6 at the end of Federation in December 1963, to 38 in November 1965. It is Government's policy to ensure that opportunities are open to Zambians to participate in the industrial field. Therefore, arrangements have been made, for both individuals and for co-operatives, to obtain loans for viable products without regard to the normal commercial criteria of security and know-how. The development of industry in the rural areas is being considered as a separate measure and investigations into the means of encouraging this type of development are being undertaken at the moment.

SELECTED ASPECTS OF INDUSTRIAL DEVELOPMENT

(i) Industrial programming and project evaluation

Two factors have combined to delay and hinder the formation of operational industrial planning and evaluation units. The first factor is the comparatively short period of independence which Zambia has enjoyed allied to a colonial inheritance which did not include any type of comprehensive national or industrial planning. The second factor is that the Federal Government of Rhodesia and Nyasaland was directly responsible for commerce and industry, and to this end all industrial, commercial and industrial planning was carried out in Salisbury. The Ministry of Commerce and Industry in Lusaka was only formed in January 1964, whilst the Office of National Development and Planning was formed in October 1964. As an added complication the

statistics compiled during the Federal era were not split up to cover the three constituent countries of, as they were then, Northern Rhodesia (Zambia), Southern Rhodesia and Nyasaland (Malawi).

It is only in recent months that a rough industrial input-output table has been formulated. A provisional list of import substitution industries has been drawn up.

Project evaluation is carried out in the Ministry of Commerce and Industry aided by the Industrial Development Corporation. (This excludes all of the private enterprise projects). An ad hoc system has grown up of appointing industrial consultants to carry out project analyses. These project analyses are then studied by Government experts who put their recommendations to the Government. At the moment the list of industries which will be state-owned is short, amounting only to grain bag manufacture, steel rolling mill and a fertilizer factory. In those industries where Government will participate with private industry, a variety of methods of assigning the responsibility for project evaluation have grown up. Where the industry already exists, and it is simply a question of an expansion partly financed by the State, then the project evaluation is left to the established industry. This has been the case in cement and sugar. Where a new project is envisaged, the Ministry of Commerce and Industry in close conjunction with the government-controlled Industrial Development Corporation arranges for private consultants to carry out the required study. After the study has been completed, and if Government decides that the project is viable, then approaches will be made to established and experienced industrialists to participate in the venture. This is the intended approach to the textile industry and to a tannery project. A third method is a continuation of one of the functions of the Industrial Development Corporation which originated before independence. The particular function of the Corporation is to loan money or to take equity participation in viable industrial projects. This enables the Corporation to carry on independently and to enter into arrangements without necessarily consulting the Ministry of Commerce and Industry. However, co-ordination is retained because the Ministry of Commerce and Industry provides two members of the Board of the Corporation.

MANPOWER REQUIREMENTS AND THE TRAINING OF TECHNICAL AND MANAGERIAL PERSONNEL

To remedy the extreme shortage of educated manpower the Government has embarked on a major programme of secondary school expansion which will double the secondary school intake in 1966 alone, and increase the intake by a similar margin in the following year. At higher levels the Government has made plans for a National University - the University of Zambia - which will open in March 1966. In addition, each year large numbers of students from Zambia have gone abroad to study at universities and training institutions. In 1965, 760 persons from Zambia were on government scholarships or in other ways were studying abroad, 350 of them being due to return in 1965 alone. In the meantime, before the output of these new educational and training institutions will begin to appear, the country must continue to rely heavily on expatriate employees. In 1965, 31,400 non-Africans were employed in the Zambian economy and these provided the bulk of the skilled and educated labour force.

The attempt to develop comprehensive manpower planning in Zambia has followed two main lines of action. The first is the creation of a single manpower planning committee with terms of reference covering the full range of manpower planning in both the public and private sectors. The second is to build up the information necessary for making well-grounded policies and to set up procedures ensuring that this information will continue to be available on a regular basis. A number of steps have been taken to consolidate information on the use of manpower, the output of the school system, future plans for departmental training, immigration and emigration records, the rate of resignation from government service, the number of Zambians studying abroad and so forth. In addition, private employers have been circulated to obtain their present and future labour demands categorised as to educational level and vocational ability.

The Government is at present studying the possibilities for setting up a management training institution. There are two technical training colleges in Zambia which are providing technicians for industry; these are insufficient for the demand and expansion to be carried out.

FINANCING OF INDUSTRY

Since January 1964, the great bulk of investment in industry has been carried out by the private sector. It is estimated that investment and committed investment in the private sector during this period amounted to £18.1/4 million. The bulk of this investment was provided from private sources, the Industrial Development Corporation, which is Government-owned, investing £400,000 in 1964 and £500,000 in 1965. It is estimated that 75 per cent of the capital is supplied from non-Zambian sources (roughly £13½ million).

The Four Year Development Plan which will commence in July 1966, has not yet been formulated but it is likely that £30 million of the planned expenditure will be spent on industrial projects. It is envisaged that certain of the projects will include private sector participation. It is estimated that such participation will amount to £4 million. It is not possible at the moment to estimate the private sector's investment programme during the period of the plan. A series of meetings will be held between Government officials and representatives of the private sector with the intention of associating the private sector with the Four Year Development Plan, and obtaining investment plans from the private sector which will allow the Planning Office to calculate total national demands for construction capacity, skilled labour, foreign exchange, etc.

The Industrial Development Corporation (which was mentioned above) is a wholly-owned government institution which provides loans or takes equity interest in commercially proven projects in the industrial and commercial fields.

Negotiations have reached an advanced stage with two international industrial development finance bodies to set up, together with the Government of Zambia, a non-government-controlled finance institution for the provision of financial assistance to private enterprise on normal commercial terms. When this new body is established, the Industrial Development Corporation will concentrate on two main functions: The first will be as the holding, financing and managing body for all government's interests

in industry. The second will be to promote Zambian entrepreneurship whether in the form of individuals, companies, or co-operatives, in both industry and commerce.

INSTITUTIONS AND TECHNIQUES FOR INDUSTRIAL RESEARCH AND PROMOTION

Zambia has no institutions to carry out industrial research. When the University of Zambia is fully operational it is expected that industrial research will be carried out in certain of the University faculties. At the moment, therefore, Zambia is almost entirely dependent on research carried out in foreign institutions at the Zambian Government's request, or in the case of the private sector, in the foreign laboratories of companies which have Zambian subsidiaries. The only exception is in the research laboratories of the two mining groups. Anglo-American and Roan Selection Trust. At the moment there is a possibility that the Anglo-American group have made a major breakthrough in the treatment of refractory copper ores.

In the field of industrial promotion the major effort, up to date, has been in the creation of an attractive investment climate. Examples of this are:-

(i) The whole of capital funds brought into Zambia, including any increase in capital, may be repatriated.

(ii) Interest and dividends are freely payable to any country in the world.

(iii) The Customs Tariff offers protection to Zambian industries.

(iv) Rebates of import duty are made for raw materials used in manufacturing processes.

(v) Drawbacks of duty are given for duty paid on goods subsequently exported.

(vi) Investment allowances amounting to 110 per cent of cost are given for plant and machinery. In addition generous allowances are given in respect of buildings.

(vii) Certain companies may qualify for pioneer status in respect of specified products. Pioneer status enables a company to enjoy tax relief for periods of up to five years.

(viii) Machinery and plant may be imported duty free from any source.

(ix) The Exchange Control Regulations provide no restrictions in respect of payments made to any country for purchases of commercial and industrial goods.

(x) Loan facilities are available.

EXPORT OF MANUFACTURED PRODUCTS

Zambia's exports of manufactures are very small, the most important items being (1964 figures):-

	Quantity	Value
Cigarettes	109,101 lb.	£104,197
Railway sleepers (wooden)	363,950 cu.ft.	168,487
Parquet blocks or strips.	414,903 cu.ft.	203,840
Balls, steel for tube mills	52,459 Centals	94,590
Footwear plastic	296,194 pairs	117,221

The railway sleepers and parquet blocks and strips involve only a small degree of manufacture as they are rough sawn items. The cigarettes and plastic footwear exports are expected to decrease substantially as the companies responsible for their manufacture have factories in the main export markets (Southern Rhodesia and South Africa).

The exports were temporary in that the parent companies divided, in the transitional period before commencing production of all the lines, production between their factories in the three countries.

Zambia's expanding manufacturing industry and projected industrial programme make it obvious that export markets for manufactured products will be necessary in the near future. It is for this reason that the Zambian Government welcomed the initiative of the Economic Commission for Africa in convening the recent Lusaka Conference on Industrial Co-ordination in East Africa. The Zambian Government has accepted in principle, the recommendations adopted by the Lusaka Conference to establish an Economic Community of Eastern Africa.

INDUSTRIAL STANDARDS

Zambian industry operates generally under British Standard Specifications. Due to Federation that Standards Bureau for Zambia, Malawi and Southern Rhodesia is situated in Salisbury. This arrangement is not acceptable and it is the intention of the Zambian Government to establish a Standards Bureau in Zambia.

THE ROLE OF EXTERNAL RESOURCES IN INDUSTRIAL DEVELOPMENT

The rapid development of Zambian industry in the short period of internal self-government and independence (post January 1964) has been largely due to the expansion of the private sector. It is recognised by the Zambian Government that this form of development is, in the national sense, the cheapest available. Not only is a very high percentage of the capital required brought in from foreign sources, but also managerial and technical skills are imported where Zambians are not available. This has enabled the Government to use its own source supply of trained Zambians for Government projects. It has been impressed on foreign industrialists that if they manufacture in Zambia they must ensure the rapid and accelerated training of Zambians to managerial and technical posts.

It is the policy of the Zambian Government to pursue an uncommitted role in world affairs. This enables the Government to call for assistance from any foreign source.

It is considered that the most valuable long term means of aid which the developed countries can extend to the developing countries can be given in two spheres. The first is to stabilise raw materials world markets at a higher and more equitable price level. The second is for the developed countries to drastically lower their tariff barriers for the less sophisticated part-manufactured and manufactured goods which will increasingly be produced by the developing countries.

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REPORT ON INDUSTRIAL DEVELOPMENT

(Presented by the Government
of Kenya)

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KENYA - REPORT ON INDUSTRIAL DEVELOPMENT

1. INTRODUCTION

Kenya is the second largest of the three East African countries and has a total area of 225,000 sq. miles. This includes already 5,000 square miles water and swamp areas. In the eight provinces of Kenya are living 9,352,000 inhabitants and the average density of population in the country as a whole is 42.5 persons per square mile of land area.

One of the most important parts of the Kenya's economy is based on the soil of the country. Agricultural land can be conveniently classified into four broad categories: high, medium, low potential and nomadic pastoral land. Land of high potential characteristically has either good soil conditions or more than 35 inches of rain per annum or both. Land of medium potential receives rainfall from 25 to 35 inches per annum, land of low potential has 20 to 25 inches of rain per annum and nomadic pastoral land has less than 20 inches rainfall per annum. The agricultural economy of the country rests mainly on the 40,000 square miles of high potential land lying in the south-west and central Kenya. Some 170,000 square miles is pastoral country. In 1962 agricultural and livestock production accounted for 39 per cent of gross domestic product (including subsistence) and 89 per cent of exports (e.g., coffee, tea, sisal and pyrethrum). Furthermore, at least one million of Kenya's estimated 1.4 million families derive their living solely from the land.

Next to agriculture, tourism is playing a major role in Kenya's economy. One of the main attractions of tourism is Kenya's big National Parks. Kenya provides one of the few remaining opportunities to see wild animals in their natural habitat. A world-wide interest has been shown in Kenya's wild life. In 1962, 68,000 documented visitors spent £77 million in East Africa, based on an average stay of 16 days and expenditure of £7 per day. Kenya's estimated share of this expenditure plus the expenditure of undocumented visitors to Kenya put gross foreign exchange earnings from tourism at £5.2 million in 1962. Only coffee and tea earned more foreign exchange for Kenya in that year.

Natural resources (e.g., forest reserves and mineral resources) are an important factor in Kenya's economy as well. The forest reserves as part of natural resources are covering a considerable amount of Kenya's consumption in timber. As far as mineral resources are concerned, Kenya is generally regarded as having no major deposits of such minerals as iron ore, coal, but explorations for oil are continuing. Nevertheless, Kenya's geology indicates that there should be economically exploitable deposits of such minerals as copper, gold, silver, lead, iron ore, phosphates, platinum, manganese, nickel, etc. In 1962 Kenya's mineral production reached a value of £5 million per annum, but the potential is estimated to be far greater.

As far as the industrial part of Kenya's economy is concerned, there has been an increasing trend of industrialization in the past years. The biggest concentration of industries is around Nairobi and Mombasa. Considering the industrial development of the whole of Kenya places like Thika, Nakuru, Eldoret and Kisumu are playing an important role. Many of small and medium-scale enterprises run their factories in one of the above mentioned towns very successfully. Low wages, special rates for transport, water and electricity are the favourable assets of the above mentioned places which could help to attract new investors in the future.

After independence, Kenya started to mobilize her resources to attain a rapid rate of economic growth for the benefit of her people. The economic situation of Kenya has been described in 1964 by the President of Kenya, Jomo Kenyatta: "Already much has been accomplished in the short space of time since independence, but a lot remains to be done if we are to achieve our declared goals. The Minister of Finance has stated that for the first time since 1952 Kenya will meet all her recurrent expenditure from her own resources. It is also good to note that our foreign exchange and balance of payments positions have shown considerable improvements since independence. There have been numerous delegations and enquiries about investment in Kenya in addition to the actual investments that have taken place. We have gone out to find new markets and new areas of technical and trade co-operation in the world".

2. ACTUAL SITUATION OF KENYA'S INDUSTRY

The various sectors of the Kenya economy have grown at different rates in the past. This fact is made abundantly clear in Table 1, which shows the development of Gross Domestic Product at factor cost for the industrial sector from 1955 to 1964.

TABLE 1

Recorded Monetary Economy — £ million

Sector	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Mining-Quarrying	1.28	1.36	1.26	1.23	1.12	1.09	0.85	0.83	0.89	0.65
Manufacturing	17.44	18.18	19.80	20.52	20.23	21.62	22.73	23.04	24.83	26.67
Construction	8.04	9.34	9.63	8.38	7.94	7.86	7.80	6.76	4.89	4.28
Electricity-Water	1.45	1.75	2.09	2.36	2.56	2.79	2.84	3.29	3.60	3.80
Transport-Communication	15.18	15.78	18.64	17.69	19.03	20.34	21.15	22.26	24.62	25.64
Wholesale and Retail Trade	25.34	25.83	27.48	26.39	27.68	28.96	29.56	30.06	31.92	35.16
Banking-Insurance	2.22	2.52	2.83	3.26	3.46	3.54	3.88	4.01	4.17	4.49
Services	10.09	10.73	12.11	13.11	14.58	15.50	14.14	14.21	15.41	17.56
Rents	5.26	5.80	6.65	7.51	8.05	8.70	8.14	8.43	9.36	9.55
Total	86.30	91.29	100.49	100.45	104.65	110.40	111.09	112.89	119.24	127.80

Total Gross Domestic Product in Kenya is estimated to have risen by 7.2 per cent in monetary terms in 1964, one of the highest rates of growth achieved in the last ten years. Only small changes in consumer prices were registered in the year - overall there was perhaps a rise of 1 per cent - and the increase of 7.2 per cent in Gross Domestic Product in monetary terms represented an increase in the goods and services on the domestic market of approximately 6 per cent. Thus, for the second successive year Kenya's economy has achieved the target rate of growth set by the Government for the period of the Development Plan 1964-70, which will be discussed in detail in a following part of this report.

Considering Table 1 in detail, it shows three major sectors which are playing an important role in the development of Gross Domestic Product according to the recorded monetary economy of Kenya. All three of them, manufacturing, transport and communications and wholesale and retail trade, have increased in the last 10 years, while the product of the small mining and quarrying sector was lower in 1964 than in any of the last ten years. This was due almost entirely to the cessation of oil prospecting.

The increase of the Gross Domestic Product in the manufacturing sector was due to several factors. One of the main factors during the last years was the opening of the new oil refinery in Mombasa. The following Table 2 depicts the differing rate of progress of the various sectors of manufacturing industry.

TABLE 2

Quantity Index of Manufacturing Production 1960 - 1964

		Base year 1961				
Industrial Group	Base Year Weight	1960	1961	1962	1963	1964
Foodstuffs	20.0	93	100	100	104	108
Beverages and tobacco	17.6	94	100	95	103	106
Textiles, clothing, footwear and leather	8.3	86	100	110	112	127
Wood, paper and printing	12.6	116	100	95	106	121
Rubber and chemicals	12.1	87	100	94	86	146
Non-metallic minerals	10.7	105	100	101	102	124
Metal working	17.6	91	100	123	125	119
Miscellaneous	1.0	102	100	105	119	157
Total	100.0	96	100	103	106	120

The aggregate index for 1964 would have been 111 but for the oil refinery, so between a half and two-thirds of the growth in output can be

attributed to the new industry. The remainder of the increase was chiefly due to a higher level of activity in the cement and clothing and textile industries. The most important of the manufacturing groups classified is the foodstuff industry. It showed an increase with rises in the grain milling, bakery and fruit and vegetable canning industries and slight falls in the meat, dairy and sugar industires. The beverage and tobacco indurtries showed a small rise but this conceals a fairly large increase in the breweries production which was partially offset by a fall in that of tobacco. The clothing industry is responding to protection given to it by higher tariffs and import licensing. The rise in the wood, paper and printing industries which began in 1962 still continues. In 1964 the increase resulted from the rising furniture and fixture industry as well as from the usually steady expansion of the paper and printing industry.

The increase in the rubber and chemicals group was entirely due to the oil refinery; excluding this the group shows some decline with rises in wattle extract and soap being too small to negate the fall in soda ash production. The planned capacity of the refinery was 2 million metric tons per annum, and the throughput in 1964 was about three quarters of that figure. The manufacturing group "non-metallic minerals" largely consists of the cement industry and its 20 per cent expansion was entirely due to the large increase in cement production (up by 25 per cent). The metal working industries fell back with the establishment of competing plants in Uganda and Tanzania and less railway repair work.

In addition to these interpretations of the quantity index table 3 gives a further demonstration of increase in showing the net output of the manufacturing production in selected years as well as the annual rates of growth in per cent. The column "share of total manufacturing output" shows the share of each manufacturing group in the total of manufacturing production in 1961.

TABLE 3

Net Output and Rates of Change by Manufacturing Industries

Industrial Group	Net Output £ million			Share of Total Manufacturing Output per cent	Annual Rates of Growth per cent	
	1954	1957	1961	1961	54-57	54-61
Meat, Dairy and canned products	0.86	0.82	1.51	7.7	-1.6	8.3
Other Food Products	1.43	1.75	2.43	12.3	7.1	7.9
Beverages and Tobacco	1.90	3.55	3.49	17.6	23.2	9.0
Textiles, Clothing, Footwear and Leather	0.83	1.08	1.64	8.3	9.2	10.4
Wood, Paper and Printing	2.62	2.70	2.49	12.6	1.0	-0.7
Rubber and Chemicals	2.04	2.03	2.40	12.1	-0.2	2.3
Non-metallic Minerals	1.16	1.54	2.11	10.7	9.8	8.9
Metals and Associated Industries	2.04	3.75	3.49	17.6	22.6	4.5
Miscellaneous	0.27	0.18	0.21	1.0	-12.6	-3.5
Total	13.15	17.40	19.77	100.0	9.8	6.0

The output of the different manufacturing groups shows the different increase of the production of consumer goods and investment goods in the past. The rapidly growing manufacturing industries have tended to be those producing consumer goods, whether for export or domestic trade.

TABLE 4

Kind of Products	ons ged	Number of Establishments according to number of employees 5-19	19-49	Over 50	Gross Production £'000	Industrial Costs £'000	Value Added £'000	Net Output £'000	Kind of Products
	88	–	–	1	1,138	307	831	408	I
	11	3	1	1	607	203	405	314	N
	13	2	–	–	1	1	–	–	V
	26	17	21	6	524	146	379	263	E
CONSUMER GOODS	38	22	22	8	2,270	656	1,614	985	S
									T
									M
ON	90	60	52	34	5,965	3,233	2,732	2,007	E
LONG	42	11	14	31	8,966	4,845	4,121	3,733	N
TERMS	28	10	6	2	570	262	308	254	T
	60	81	72	67	15,502	8,340	7,162	5,994	G
									OO
	94	–	2	7	5,281	1,848	3,433	2,988	DS
	68	1	2	5	6,296	5,124	1,172	881	
	81	4	5	7	4,872	3,748	1,124	605	CONSUMER
	94	–	2	2	1,011	705	307	180	
	73	26	6	7	9,114	6,857	2,257	1,926	GOODS
	86	25	10	2	1,826	1,290	536	326	
	00	1	–	2	1,643)	1,054	755	463	ON
	87	–	1	1	165)				
	35	7	3	3	589	436	153	94	SHORT
	35	–	1	–	57)	1,374	2,679	2,195	
	23	5	4	7	3,996)				TERMS
	52	7	6	5	1,278)	2,312	1,651	1,924	
	02	–	–	1	2,685)				
INVESTMENT GOODS	88	11	3	3	3,275	2,158	1,116	728	

TABLE 4

	Establishments No.	Persons engaged No.	Number of Establishments according to number of employees 5-19	19-49	Over 50	Gross Production £'000	Industrial Costs £'000	Value Added £'000	Net Output £'000	Kind of Products
Mining and Quarrying										
Crude Petroleum	1	488	–	–	1	1,138	307	831	408	I
Metallic Minerals	5	811	3	1	1	607	203	405	314	N
Non-metallic minerals	2	13	2	–	–	1	1	–	–	V
Quarry products	44	1,326	17	21	6	524	146	379	263	E
Total	52	2,638	22	22	8	2,270	656	1,614	985	S
										T
Building & Construction										M
Private	146	6,990	60	52	34	5,965	3,233	2,732	2,007	E
Public	56	22,142	11	14	31	8,966	4,845	4,121	3,733	N
Electrical Contracting	18	528	10	6	2	570	262	308	254	T
Total	220	29,660	81	72	67	15,502	8,340	7,162	5,994	G
										OO
Electricity total	9	2,194	–	2	7	5,281	1,848	3,433	2,988	DS
Manufacturing & repairs										
Meat products	8	2,068	1	2	5	6,296	5,124	1,172	881	
Dairy products	16	881	4	5	7	4,872	3,748	1,124	605	CONSUMER
Canned Fruit & Vegetables	4	994	–	2	2	1,011	705	307	180	
Grain Mill Products	39	1,973	26	6	7	9,114	6,857	2,257	1,926	GOODS
Bakery Products	37	1,086	25	10	2	1,826	1,290	536	326	
Sugar	3	1,500	1	–	2	1,643)	1,054	755	463	ON
Confectionery	2	87	–	1	1	165)				
Miscellaneous Foods	13	535	7	3	3	589	436	153	94	SHORT
Spirits	1	35	–	1	–	57)	1,374	2,679	2,195	
Beer and Malt	16	2,023	5	4	7	3,996)				TERMS
Soft Drinks	18	752	7	6	5	1,278)	2,312	1,651	1,924	
Tobacco	1	702	–	–	1	2,685)				
Soap	17	788	11	3	3	3,275	2,158	1,116	728	

TABLE 4 Con'd. (2)

	Establish-ments No.	Persons engaged No.	Number of Establishments according to number of employees 5-19	19-49	Over 50	Gross Produc-tion £'000	Indust-rial Costs £'000	Value Added £'000	Net Output £'000
Cordage, Rope, Twine	6	2,233	1	2	3	1,343	688	655	560
Textiles	10	1,820	–	1	9	1,342	879	463	362
Clothing	15	704	3	5	7	1,084)	1,755	1,121	1,039
Footwear	2	1,177	–	–	2	1,792)			
Sawn Timber	64	5,299	16	13	35	1,199	305	894	564
Other Wood Products	7	320	4	1	2	217	123	93	75
Furniture, Fixtures	74	1,218	5	14	3	1,113	616	497	409
Paper and Products	11	706	3	3	5	1,521	881	639	575
Printing, publishing	73	2,977	41	20	12	4,102	1,877	2,225	1,799
Tanning, leather goods	10	503	3	4	3	553	345	207	174
Rubber Products	10	276	6	3	1	543	355	189	143
Basic industrial chemicals	15	1,561	4	3	8	2,445	970	1,475	1,356
Paints	4	246	–	1	3	659	452	207	148
Miscellaneous Chemicals	20	864	15	3	2	4,191	3,006	1,185	301
Clay, concrete products	17	533	6	7	4	301	131	170	134
Glass & Products	3	307	–	1	2	462	177	286	245
Cement, other minerals	7	921	2	–	5	2,312	884	1,428	1,042
Metal Products	48	2,870	31	6	11	5,276	3,457	1,819	1,468
Non Electrical Machinery	35	711	20	15	–	612	288	323	266
Electrical Machinery	19	251	17	2	–	278	125	153	112
Ship building, Repair	12	2,107	4	2	6	949	286	663	621
Railway Rolling Stock	1	6,392	–	–	1	2,616	1,604	1,012	997
Motor vehicles	17	464	7	7	3	507	294	213	170
Motor Repairs	96	1,454	70	25	1	1,790	1,188	602	491
Miscellaneous Manufacturing	24	491	20	2	2	792	478	313	214
Total	775	49,829	417	183	175	74,803	46,223	28,580	22,585
All Industry - Total	1,056	84,321	520	279	257	97,856	57,067	40,789	32,551

TABLE 4 Con'd.(2)

	Establish-ments No.	Persons engaged No.	Number of Establishments according to number of employees 5-19	19-49	Over 50	Gross Production £'000	Indust-rial Costs £'000	Value Added £'000	Net Output £'000	Kind of Products
Cordage, Rope, Twine	6	2,233	1	2	3	1,343	688	655	560	
Textiles	10	1,820	–	1	9	1,342	879	463	362	
Clothing	15	704	3	5	7	1,084)	1,755	1,121	1,039	CONSUMER GOODS
Footwear	2	1,177	–	–	2	1,792)				
Sawn Timber	64	5,299	16	13	35	1,199	305	894	564	
Other Wood Products	7	320	4	1	2	217	123	93	75	
Furniture, Fixtures	74	1,218	5	14	3	1,113	616	497	409	
Paper and Products	11	706	3	3	5	1,521	881	639	575	
Printing, publishing	73	2,977	41	20	12	4,102	1,877	2,225	1,799	
Tanning, leather goods	10	503	3	4	3	553	345	207	174	
Rubber Products	10	276	6	3	1	543	355	189	143	
Basic industrial chemicals	15	1,561	4	3	8	2,445	970	1,475	1,356	
Paints	4	246	–	1	3	659	452	207	148	
Miscellaneous Chemicals	20	864	15	3	2	4,191	3,006	1,185	301	
Clay, concrete products	17	533	6	7	4	301	131	170	134	
Glass & Products	3	307	–	1	2	462	177	286	245	
Cement, other minerals	7	921	2	–	5	2,312	884	1,428	1,042	
Metal Products	48	2,870	31	6	11	5,276	3,457	1,819	1,468	INVESTMENT
Non Electrical Machinery	35	711	20	15	–	612	288	323	266	GOODS
Electrical Machinery	19	251	17	2	–	278	125	153	112	
Ship building, Repair	12	2,107	4	2	6	949	286	663	621	
Railway Rolling Stock	1	6,392	–	–	1	2,616	1,604	1,012	997	
Motor vehicles	17	464	7	7	3	507	294	213	170	
Motor Repairs	96	1,454	70	25	1	1,790	1,188	602	491	
Miscellaneous Manufacturing	24	491	20	2	2	792	478	313	214	
Total	775	49,829	417	183	175	74,803	46,223	28,580	22,585	
All Industry - Total	1,056	84,321	520	279	257	97,856	57,667	40,789	32,551	

Size of the Present Manufacturing Industries

Increase and size of a developing industry is indicated by various important facts. Main characteristics are number of establishments, number of employees, costs, gross production, value added and net output. Table 4 shows a summary of data for the industrial groups Mining and Quarrying, Building and Construction, Electricity, Manufacturing and Repairs for the year 1963.

Without any doubt manufacturing and repairs is the largest within the four industrial groups. In 775 establishments 49,829 persons are employed and the total gross production of this group is £74,803,000. Within the group the biggest manufacturers are, as far as number of employed persons and Gross production is concerned, railway rolling stock and metal products on the investment good manufacturing side. The biggest manufacturers of consumer goods on long terms are printing and publishing, basic industrial chemicals, miscellaneous chemicals, sawn timber and cordage, rope and twine. Leading manufacturers of consumer goods on short terms are those of meat products, grain mill products, dairy products and beer and malt. Considering the three other groups, which can be classified as manufacturers of investment goods, a leading position is held by building and construction in the public sector.

Most of the manufacturing groups are almost equally comprising small and medium scale establishments. Only the manufacturers of grain mill products, bakery products, printing and publishing, soap, miscellaneous chemicals, metal products and motor repairs have an overwhelming majority of small scale enterprises with 5 to 19 employees.

The relation between industrial costs and value added gives an indication of intensity of production while the column "net output" gives a picture of the economic performance of each manufacturing group.

As far as the column "kind of products" is concerned it shows the relation of investment goods to consumer goods on long and short terms. More than half of the employed persons, almost 45,000, are working in the investment good industries, while only 12,600 employees are working in the manufacturing industry for consumer goods on short terms.

These relations give an indication about the importance of investment good production as part of Kenya's industry.

Market Situation of Kenya's Industry

A main factor of industrial development is export of industrial products. As far as export trade is concerned, main partners for Kenya are the two East African neighbour countries Uganda and Tanzania. Kenya exports to these two countries have been expanding rapidly during the last years and in 1964 the increase was larger than ever before. The inter-territorial trade is playing an increasingly important part in the economies of the East African countries. For Kenya these exports are now accounting for almost 50 per cent of her external sales, whereas five years ago they were about thirty per cent. Interterritorial exports have doubled in the past five years and increased by 50 per cent in the last two years.

Table 5 shows the development of exports to Uganda and Tanzania since 1959. The items include industrial as well as agricultural products.

TABLE 5

Interterritorial exports - 1959, 1963 and 1964

£'000

Item	1959	1963	1964	1959	1963	1964
Food						
Meat and meat preparations	139	137	139	140	170	209
Dairy products	589	695	763	247	281	271
Cereals and cereal preparations	824	714	1,549	882	1,147	1,096
Fruit and vegetables	102	193	201	147	328	276
Coffee and tea	174	190	119	494	351	332
Other foods	219	335	477	156	353	540
Total	2,047	2,264	3,248	2,066	2,640	2,724

TABLE 5 CONT'D

Item	1959	1963	1964	1959	1963	1964
Beverages and tobacco						
Beer	100	100	156	371	581	805
Cigarettes	751	783	802	895	1,127	823
Other	301	345	310	29	59	112
Total	1,152	1,228	1,268	1,295	1,767	1,740
Basic materials and fuels						
Petroleum products	16	21	1,045	3	27	1,468
Other	149	168	181	219	222	214
Total	165	189	1,226	222	249	1,682
Manufactured goods						
Chemicals and products	440	1,275	1,339	434	1,073	1,687
Bicycle tyres and tubes	80	203	181	20	124	100
Paper and paperboards	203	365	447	77	338	418
Sisal bags and sacks	222	266	378	60	79	118
Other textile articles	66	276	424	78	191	250
Cement	95	149	119	682	537	764
Iron and steel	15	721	699	12	406	165
Non ferrous metals	-	81	111	-	65	24
Metal manufactures	484	442	837	474	669	780
Clothing	216	568	868	375	830	1,134
Footwear	246	517	605	333	683	793
Other	338	862	797	334	648	831
Total	2,405	5,716	6,805	2,879	5,643	7,064
Miscellaneous - Total	15	28	34	50	66	88
GRAND TOTAL	5,784	9,425	12,581	6,513	10,365	13,299

According to Table 5, in 1964 the increase in exports was particularly large because of the addition of the products of Mombasa's oil refinery. The total increase was £6.1 million and of this £2.5 million was in petroleum products. This rise was fairly evenly shared between Uganda and Tanzania although exports to the latter moved up slightly less, particularly if petroleum products are excluded. Table 5 is intended to show both the changes between 1963 and 1964 and the longer term changes which have led to these exports doubling in five years.

The greater rise in exports to Uganda are seen to be a result of a bigger increase in food exports, which in turn can be narrowed down to a £600,000 rise in milled wheat flour resulting from the closure of the Jinja Mill in Uganda due to the rising level of Lake Victoria. The mill has been rebuilt so these exports are falling away in 1965. Apart from food exports the change in exports will be seen to be very similar for both countries with beverage and tobacco exports almost unchanged, basic material and fuels up with the petroleum exports, and manufactured goods up by 20-25 per cent. This is a very large increase particularly as some exports were hit by the establishment of competing industries, e.g., bicycle tyres and tubes, cement (in Uganda only), iron and steel plates and sheets and so on.

The 1959 figures of Table 5 are showing that, apart from one or two food items and petroleum products, the increase in exports to Uganda and Tanzania have been in manufactured goods, and, for these, over the five years the annual rate of increase is about 20 per cent for both countries.

In the following Table 6 an estimation has been tried to break down the total value of manufactured goods by percentage consumed within Kenya and exported to East African countries in 1963.

The first part of Table 6 shows the groups of investment industries which mainly supply their products to the Kenya market except metallic minerals, which are exported 99 per cent and quarry products, which are exported 10 per cent.

TABLE 6

Industry	Total Value	Destination Exports East Africa	Other	Total	Used within Kenya
	£'000	Percentages			
Mining and Quarrying					
Crude Petroleum	1,138	-	-	-	100
Metallic Minerals	572	-	99	99	1
Non-metallic Minerals	1	-	-	-	-
Quarry Products	513	-	10	10	90
Total	2,224	-	28	28	72
Building and Construction					
Private	3,897	-	-	-	100
Public	6,966	-	-	-	100
Electrical Contracting	566	-	-	-	100
Total	15,430	-	-	-	100
Electricity Total	2,015	-	-	-	100
Manufacturing and Repairs					
Meat Products	6,046	11	43	54	46
Dairy Products	4,853	21	14	35	65
Canned Furit and Vegetables	1,068	6	79	85	15
Grain Mill Products	8,450	16	8	24	76
Bakery Products	1,790	9	1	10	90
Sugar	1,638	-	-	-	100
Confectionery	110	-	-	-	100
Miscellaneous Foods	598	-	-	-	-
Spirits	36	25	-	25	75
Beer and Malt	3,772	15	-	15	85
Soft Drinks	1,280	5	1	6	94
Tobacco	2,685	44	-	44	56
Cordage, Rope and Twine	1,335	36	18	54	46
Textiles	1,368	35	22	57	43
Clothing	966	35	10	45	55
Footwear	1,756	57	3	60	40
Sawn Timber	1,181	25	25	50	50
Other wood products	210	40	10	50	50
Furniture and Fixtures	1,103	20	5	25	75
Paper and Products	1,513	25	3	28	72
Printing and Publishing	3,562	5	2	7	92
Tanning and Leather Goods	531	9	47	56	44
Rubber Products	500	15	-	15	85
Basic Industrial Chemicals	2,400	4	72	76	24
Paints	660	33	1	34	645
Soap	3,104	43	2	45	55
Miscellaneous Chemicals	2,495	5	70	75	25

TABLE 6 CONT'D

Industry	Total Value	Destination Exports			Used within Kenya
		East Africa	Other	Total	
	£'000	Percentages			
Clay and concrete Products	307	5	-	5	95
Glass and products	520	22	16	38	62
Cement and other minerals	2,287	33	25	58	42
Metal products	5,323	34	9	43	57
Non-electric Machinery	599	5	-	5	95
Electrical machinery	266	5	-	5	95
Shipbuilding and repairing	934	-	-	-	100
Railway Rolling Stock	2,616	-	-	-	100
Motor Vehicles	516	-	-	-	100
Motor Repairs	1,209	-	-	-	100
Miscellaneous Manufacturing	681	10	-	10	90
Total	71,266	19	16	35	65
All Industry Total	90,934	19	16	35	65

The second part of Table 6 shows the manufacturing and repair groups of industries, which are exporting at an average of 19 per cent of their production to East Africa and 16 per cent to other countries. Therefore, the average export rate of Kenya manufacturing industries is about 35 per cent, while the consumption on the Kenya market itself is about 65 per cent of the production.

Some of the manufacturing industries are supplying mainly the local market and some are mainly based on exports.

Eleven manufacturing groups are exporting 50 per cent and more of their total value of products and are playing an important part in Kenya's international trade. Three of these groups are exporting even 75 per cent and more of their products, namely the meat products, the basic industrial chemicals and the miscellaneous chemicals. But most of the investment goods manufactures are producing almost entirely for the Kenya market, like the machinery-enterprises, ship-building and railway repairs, motor vehicles and motor assembling and repairs. The food manufacturers play a considerable part in exports, based on agricultural products.

3. FUTURE DEVELOPMENT OF THE INDUSTRY IN KENYA

The period of political transition in Kenya is over and the Government, with a clear mandate from the people, has turned its attention to the development of the country. Kenya must now marshall its many resources and direct them towards the achievement of vigorous economic growth. For the Government to perform its role successfully, early decisions will be made on several economic choices. These decisions will influence substantially the rate at which the economy grows and the speed with which the welfare of its citizens is increased and their demands for a better life satisfied.

Estimations of Increase

Estimations of increase of several factors of the economy in Kenya are made till 1970. By this year there is likely to be in Kenya a population of eleven million people divided among approximately 1,800,000 families. On the average each family should have an annual income of nearly £200. Thus, despite an increase of 400,000 in the number of families, the average family should have an income of £30 higher in 1970 than in 1962. To provide for the additional 400,000 families and at the same time to raise average family income by £30, the economy must generate total income of £364 million in 1970 an increase of £121 million or 50 per cent over the 1962 level. Approximately, two-thirds of the increase will be used to support more families and one-third to raise living standards. The bulk of the increased income of £30 per family will result from growth of the monetary sector of the economy. Hence in 1970 a larger proportion of economic activity will be channelled through markets and exchanged for money than was the case in 1962, indicating a higher degree of specialization in the economy.

The following Table 7 is showing that gross cash domestic product is expected to grow at an average rate of 5.7 per cent per annum. Providing for additional families will require a rate of growth of 3.1 per cent, leaving 2.6 per cent per annum as the rate of increase in per capita monetary income.

TABLE 7

Total and Per Capita Gross Domestic Product

1962 and 1970

Sector	1962 Actual		1970 Estimated		Annual Rate of Growth, per cent 1962-1970	
	Total £ million	Per Capita	Total £ million	Per Capita	Total	Per Capita
Monetary	180.0	20.9	280.7	25.4	5.7	2.6
Subsistence	63.3	7.4	83.7	7.6	3.5	0.4
Gross Domestic Product	243.3	28.3	364.4	33.0	5.2	2.1

The rates of growth in Table 7 have been estimated without regard for price changes, because it is difficult to eliminate price changes from past data.

By 1970 the monetary sector of the economy should comprise 77 per cent of all economic activity. Table 8 shows the estimated effects, product prices are assumed constant throughout the table.

TABLE 8

Monetary Gross Domestic Product by Economic Sectors
1962 and 1970

Sector	Contribution to Monetary Gross Domestic Product £ million		Annual Rate of Growth per cent
	1962 Actual	1970 Estimated	1962 - 1970
Electricity and Water	2.98	5.80	8.7
Services	14.21	25.34	7.5
Bank, Insurance and Real Estate	4.01	6.88	7.0
Forestry	0.95	1.64	7.0
Agriculture and Livestock	37.79	63.95	6.8
Transport, Storage and Communications	22.21	37.32	6.7
Rents	8.39	13.69	6.3
Manufacturing	23.04	34.82	5.3
Construction	6.76	9.99	5.0
Fishing and Hunting	0.81	1.17	4.7
Government Services	28.02	39.85	4.5
Wholesale and Retail Trade	30.02	39.24	3.4
Mining and Quarrying	0.82	1.05	3.0
Monetary Gross Domestic Product	180.01	280.74	5.7

Services comprise of three groups: religious, medical and educational; domestic and hotel, restaurant and recreational. With the rapid increase in travel and tourism which is expected, the latter group should grow very rapidly indeed, but the other groups, particularly domestic services, are not expected to perform so well.

Agriculture will continue to be the dominant sector of the monetary economy. The rate of growth anticipated in Table 8 for agriculture is

dependent on two assumptions -- that the necessary private investment will be forthcoming and that export prices of main agricultural crops will not decline over the period till 1970.

Value added in manufacturing should grow at a substantial rate over the period, but this rate is heavily dependent on the investment of private funds and the growth of interterritorial demand. The rate depicted in Table 8 has been adjusted to reflect reasonable assumptions in both respects.

Programme of Industrial Development

Under the policy of African Socialism the Kenya Government is fully committed to raise the standard of living of the majority of the people of Kenya. In order to do this the Government fully realises that it must promote a policy whereby all sectors of the economy will expand and grow. A plan has therefore been made to establish new economic institutions and to modify old ones, freely choosing our model from the successful economies of the world, adapting them to suit Kenya's conditions and in the process, developing new concepts of economic organisation. Ideological labels are of no concern to us; the only criterion being the effectiveness of the institution in achieving greater economic welfare for all the people.

The Government has published and is implementing a six year Development Plan in which the importance of private industry is emphasised. The plan requires a total investment by the private sector of £188 million over the period 1964 - 1970 and specific growth targets have been set for various industries.

Close co-operation between Government and private sector is a key element of the development plan over the next six years. Public sector capital formation will be in the order of £20 million per year. The balance needed to sustain an adequate rate of growth of the economy must come from the private sector. If the amount available from this source is in the region of £15 million per year the economy should grow at approximately 3 per cent annually, but with the population growth at that rate this would provide little margin for raising living standards. To approach a growth rate approaching 6 per cent and a reasonable increase in per capita income,

steps must be taken to stimulate a level of gross private investment in the region of £35 million per year.

In addition to the need for high level of private investment the capital formation undertaken by both the Government and private investors must be closely co-ordinated to ensure that the capital resources are used most efficiently.

The Government is fully committed to industrialise as soon as possible and in order to encourage this a priority list of the industries considered most desirable has been produced.

Industrial Priorities

In allocating industrial priorities proposed industries are ranked on the degree to which they satisfy the following criteria:-

(1) Significant export or import substitution potential - to improve Kenya's foreign exchange earning and saving capacity through a reduction in the present adverse balance of trade;

(2) Contribution of the greatest possible value added within Kenya (i.e. the maximum possible processing of primary products or the earliest possible stage of manufacturing for import substitutes)- to ensure a substantial increase in gross domestic product;

(3) High labour-capital ratio - - to relieve the serious labour surplus problem and recognise the scarcity of capital in Kenya;

(4) Production of investment goods - to enable Kenya to approach self-sustaining growth; and

(5) Contribution to the diversification of the economy - to reduce the risk to the economy of price fluctuations in one or two of its major exports and to broaden the base for growth.

An overriding consideration in allocating industrial priorities will, of course, be the efficiency of the proposed industry. Efficient industries will be able to compete in international markets without help from the Government and the need for concessions and protection is therefore considerably reduced. However, it is recognised that at its present state of

development Kenya's economy may not offer opportunities for highly efficient operations, particularly in the early stages. Industries which substantially meet the above criteria and show a potential for profitability at a later stage, therefore requiring only temporary protection, will be given highest priority for protection or other support.

Protection for Local Industries

Attractive protection is available in Kenya to foreign investors wishing to establish a local industry.

1. Protection is sometimes made available to local industries through the East African Tariff Committee. The three East African Governments work in unison to establish a common level of tariffs but this is done sparingly and a firm has first to show that it is capable of meeting the local demand and prove that external competition is disruptive. Suspended tariffs are also used to attract firms of international standing as an encouragement for them to set up plants in East Africa to produce goods to those which they import.

2. Industrial licensing is also used to protect an industry from outside competition where it is felt that the East African market does not justify the existence of more than one firm. This is done by the East African Industrial Licensing Council whose primary purpose is to provide for the orderly promotion and development of particular industries and prevent the establishment of too many uneconomic units.

3. Refunds of customs duty are also made available in respect of raw materials imported for a manufacturing process which is carried out in Kenya. The purpose of these refunds of duty is to encourage firms to establish manufacturing plants in Kenya and also make them able to compete against foreign imported articles of similar make.

4. Further inducement to investors is afforded through low company tax and the provision of a generous investment allowance on the costs of new equipment and buildings.

5. The Foreign Investment Protection Act of 1964 provides an additional guarantee on capital to foreign investors by stating that foreign assets cannot be confiscated and it also makes provision for repatriation of money from Kenya, subject to very reasonable foreign exchange regulations.

Unfortunately, Kenya at the time of independence found itself in a position where the economy of the country was to a large extent controlled by foreigners. The Government is now fully committed to righting this imbalance in order to give African citizens their rightful place in running and owning industrial and commercial enterprises. In order to achieve this aim the Industrial and Commercial Development Corporation has been set up to promote industries with African participation under the Government's small industries programme. Secondly, the Corporation will aid Africans in commerce through the provision of loans and advice.

TABLE 9

Estimated expenditure - Small industry and commerce

	1964/65 £	1965/66 £	1966/67 £	1967/68 £	1968/69 £	1969/70 £	Total £
I.C.D.C. -							
Industrial Loans	39,000	39,000	49,000	49,000	49,000	46,000	271,000
Traders' Loans	25,000	25,000	25,000	40,000	40,000	40,000	195,000
Operating Deficit	18,000	17,000	17,000	13,000	10,000	6,000	81,000
	82,000	81,000	91,000	102,000	99,000	92,000	547,000
Less:							
Internally-Generated Funds	(7,000)	(14,000)	(20,000)	(28,000)	(37,000)	(45,000)	(151,000)
Loan Guarantees (Traders)	(25,000)	(25,000)	(25,000)	(40,000)	(40,000)	(40,000)	(195,000)
Government Contribution	50,000	42,000	46,000	34,000	22,000	7,000	201,000
Nakuru Centre	25,000	25,000	25,000	-	-	-	75,000
People's Shops (Feasibility Study)	1,000	-	-	-	-	-	1,000
TOTAL-GOVERNMENT	76,000	67,000	71,000	34,000	22,000	7,000	277,000
TOTAL-GOVERNMENT PLUS I.C.D.C.	108,000	106,000	116,000	102,000	99,000	92,000	623,000

At present the Corporation operates with a revolving loan fund for industrialists of £30,000. It will be necessary to supplement this fund over the next six years to achieve an annual rate of lending approaching £50,000 per annum. By 1970 the capital of the Industrial Development Corporation should be sufficient to meet an annual loan requirement without additional capital from the Government. It is estimated that the successful implementation of the small industry programme should by 1970 result in establishment of over 200 new small industrial ventures employing about 200 persons. The Corporation will have directly invested about £300,000 but matching finance should bring the total investment generated to £1 million.

The Government has also set up a Development Finance Corporation of Kenya. This is a finance corporation in which the Government of Kenya has a large financial interest and which was inaugurated in 1963 and has continued to grow in reputation both in Kenya and abroad. The company was formed with an initial capital of £1.5 million. Most of this capital is already committed to various enterprises. The D.F.C.K. considers only large loans about £20,000 and therefore through it the Government is able to participate with private capital where large investments are contemplated. The company is prepared to invest in a wide range of industries, including agriculture, manufacturing, tourism, etc. Investment is possible in the form of either loans or shares.

Capital Requirements

It is worthwhile at this stage to mention the capital requirements necessary for the development programme. A summary of the public sector expenditure programmes discussed in this chapter is summarised in Table 10. It shows that all public bodies are expected to spend £132.2 million on development over the six years, 1964/70. Of this total, £10.9 million represents transfer payments in the form of land purchase, so that public sector investment is expected to be £121.3 million, an average of £20.2 million per annum. By far the greatest proportion of expenditure will be on basic services, which account for 41.0 per cent of the total; in fact, electric power and rail transport together account for over one-fourth of

public sector development expenditure. The emphasis placed on agriculture is evidenced by the 32.7 per cent of expenditure devoted to agriculture, land consolidation and land settlement. Social services will receive an estimated 12.5 per cent, well over half of this going to education.

TABLE 10

Public sector expenditure

(£1,000's)

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	Total
PUBLIC SECTOR EXPENDITURE B/F	21,977	22,593	25,011	22,160	21,474	19,018	132,233
Less: Transfer Payments	4,373	2,128	1,100	1,100	1,100	1,100	10,901
Public Sector Investment	17,604	20,465	23,911	21,060	20,374	17,918	121,332
Less: Public non-Government Bodies Investment	5,476	8,389	13,031	9,975	8,761	5,978	51,610
Government Investment	12,128	12,076	10,880	11,085	11,613	11,940	69,722
Less: Investment on Settlement	3,703	2,953	1,572	555	-	-	8,783
Government Investment excluding Settlement	8,425	9,123	9,308	10,530	11,613	11,940	60,939
Add: Settlement and Transfer Payments	8,076	5,081	2,672	1,655	1,100	1,100	19,684
GOVERNMENT DEVELOPMENT EXPENDITURE	16,501	14,204	11,980	12,185	12,713	13,040	80,623

Almost 40 per cent of public sector expenditure is in the hands of bodies partially or entirely independent of the Government and is not included in the annual Development estimates. Thus, Government expenditure is estimated to be £80.6 million over the six years and an estimated £69.7 million of this will be investment. In the first four years,

£13.1 million will be devoted to the completion of the settlement schemes, which will be phased out over the period. To a certain extent, resources freed from settlement can be transferred to other development. In particular, major irrigation schemes already under construction may account for £3 million of development expenditure in 1969/70 and will become the dominant type of agricultural development towards the end of the planning period. But this will not be sufficient to prevent total Government development expenditure from falling over the six year period. However, this is due entirely to the extraordinary nature of the settlement schemes and it is anticipated that investment on projects other than settlement will rise from £8.4 million in 1964/65 to £11.9 million in 1969/70. This increase of 6 per cent per annum will allow Government investment to keep pace with an expanding economy. Furthermore, additional land purchase and development schemes, which are under consideration and not included in the previous figures, may fully compensate for the projected decline in Government expenditure.

Public and Private Capital Formation

The capital formation needed to sustain the estimated rate of economic growth is indicated in Table 11. Some of the growth expected in Table 8 can be attained by utilising the excess capacity that now exists in the economy, particularly in the manufacturing, construction and trade sectors. For this reason, the private capital formation required over the period is somewhat less than would be needed if the economy were operating at full capacity.

TABLE 11

Gross capital formation

Public and Private

Sector	Actual 1954-62, inclusive			Estimated 1964/70		
	Amount £ million	Average per year £ million	Share of Total Gross Capital Formation Per Cent	Amount £ million	Average per year £ million	Share of Total Gross Capital Formation Per Cent
Public	136	15	38	129	22	40
Private	221	25	62	188	31	60
TOTAL	357	40	100	317	53	100

By 1970 gross capital formation is expected to be £66 million, of which perhaps £20 million will be needed for replacement. Gross capital formation will amount to 23 per cent of monetary gross domestic product and 18 per cent of gross domestic product, substantially higher proportions than have prevailed in the last few years. It is, of course, on this higher rate of capital formation that the more rapid rate of economic growth largely depends.

In Table 12, public capital formation is identified by the kind of governmental authority responsible for the expenditure. Thus transfers from the centre to other governmental units are shown as expenditures by the recipient units. It was not possible to sub-divide all expenditure by major economic activity affected, but it is clear that the three activities receiving the most funds are basic services, agriculture and social services.

Manpower Shortages

It is of course not to be expected that the development plan will work out smoothly without any problems. A crucial and possibly limiting factor to the growth of the economy is the availability of adequate numbers of highly trained and educated manpower. There is little doubt that shortages

TABLE 12 - CAPITAL FORMATION

Public Sector

1964/70

(£1,000's)

	Central (and Regional) Governments	Local Governments	E.A.C.S.O. Trading Services	Other Statutory or semi-public bodies	Total
Agriculture	11,673	-	-	4,471	16,144
Lands	150	-	-	-	150
Natural Resources	1,980	3,140	-	-	5,390
Commerce & Industry	-	-	-	4,846	4,846
Tourism	546	420	-	-	966
Basic Services	8,521	6,000	16,510	22,200	53,231
Social Services	9,090	3,460	-	3,583	16,133
Security, Defence	2,770	-	-	-	2,770
Unallocable	15,740 x	13,290 +	-	-	29,630
TOTAL	50,470	26,580	16,510	35,100	128,660

x Capital element in recurrent budget, less unallocable land transfers of £600,000 included above.

+ Estimated capital expenditure by local authorities - exact nature as yet unknown.

will persist throughout the planning period. To implement the plan effectively will require an increase in the planned number of secondary school leavers and the hiring and retention of a substantial number of overseas experts. The Government is, however, sparing no efforts in encouraging secondary and higher education.

Difficulties of manpower would even be greater were it not for the various technical assistance programmes from which Kenya is benefiting. Requirements for veterinarians, geologists, engineers, teachers and doctors have been documented in the Plan, as have requirements for studies and surveys in the various fields such as irrigation, geology and housing. It is anticipated that many of the needs will be met by offers of technical assistance through the United Nations, and bilateral technical agreements between Kenya and friendly overseas countries.

Size of Market

In the development of industries Kenya is faced like other small countries with the problem of finding adequate market for her manufactured products. The population of Kenya at the end of 1965 is estimated to be 9.3 million and per capita income to be around £30 million. We are hoping that the East African Common Market with a total population of 25 million will continue to exist as an entity and that a much larger Customs Union area will be created to include Zambia, Malawi, Ethiopia, Somalia and other areas of the East African sub-region. At the recent Lusaka Conference most of the countries supported the desirability of such a Union and it is now for the individual Governments to put those ideas into practice. Some of the industries require the markets of the whole of the sub-region in order to operate economically and it would be to the advantage of the individual territories to co-operate in the formation of such a Common Market.

Finance

Another problem which is likely to face Kenya is that of lack of money to finance projects. A realistic assessment of the finance likely to be available to the Government for development cannot be made for a period

longer than three years ahead. Table 13 sets out the amounts available and in prospect for the 1964/67 period. Amounts "available" indicate Government revenues likely to be devoted to the Development Estimates and loans and grants already negotiated or promised by overseas Governments or international agencies, including settlement schemes; these total £21.5 million, half of the three-year total. Finance "in prospect" includes loans and grants which are under active discussion with various Governments and agencies. £16.8 million is involved in these discussions and clearly the Government's success in financing the Plan depends very importantly on the outcome of such applications. The gap for which finance is not immediately in sight is £4.5 million and it is hoped that this can be filled largely by loans or grants from Governments which have indicated an interest in Kenya's development but which have not been formally approached to finance the Plan. There may be some potential for additional internal sources of finance to fill the gap, but these will be severely restricted for reasons discussed below.

Of the £38.1 million available or in prospect for the next three years, £3.7 million, or just under 10 per cent, is expected from local sources, including taxation. This percentage is deceptively low, because the Government has recently transferred approximately £1 million per annum of recurrent services from its Development Estimates. These will now be covered by Government and regional revenues, but would otherwise have increased the size of the Plan and almost doubled the proportion financed locally. Nevertheless, it would be extremely advantageous to increase substantially the proportion of development financed locally and the Government is taking steps to achieve such an increase. By 1967/68 it is expected that the National Provident Fund will begin investing large amounts in Government stock and by 1969/70 this should provide upwards of £2 million per annum for development, bringing the total of local sources to over £3 million per annum, 23 per cent of estimated expenditure. In addition, possible new sources of taxation for development will be kept under consideration.

TABLE 13 - GOVERNMENT CAPITAL SOURCES

	1964/65	1965/66	1966/67	Total
Total Required	16,501	14,204	11,980	42,685
Available -				
Local	1,150	925	875	2,950
External -				
Settlement	6,975	3,890	1,570	12,435
Other	5,135	590	350	6,075
Total available	13,260	5,405	2,795	21,460
To be found	3,241	8,799	9,185	21,255
In prospect -				
Local	100	350	400	850
External	1,420	7,320	7,180	15,920
Total in prospect	1,520	7,670	7,580	16,770
	1,721	1,129	1,605	4,455
Available and in prospect -				
Local	1,250	1,175	1,275	3,700
External -				
Settlement	6,975	3,890	1,570	12,435
Other	6,555	7,910	7,530	21,995
TOTAL	14,780	12,975	10,375	38,130

It is evident that for the foreseeable future the Government will be dependent on external aid to fulfil its development plans. Britain has so far been the most generous donor of funds, but important amounts are also anticipated from the World Bank, and from the Governments and national agencies of the friendly nations from both East and West. Kenya follows a policy of non-alignment even in economic matters and is not committed to any one bloc of nations. The finance already in prospect from these sources allows considerable optimism that the first three years of this Plan can be completed on

schedule. Projects such as major irrigation schemes, which are prominent over the latter half of the planning period, present excellent vehicles for the continued interest of overseas aid donors in Kenya's development. Prospects for financing the latter half of the Plan are therefore considered promising. It may be said that Kenya has made itself an ambitious plan to develop, but there is no reason why it should not be implemented, provided there is co-ordination between the private and public sectors as well as co-operation from overseas investors, governmental and international agencies and, above all, dedication for hard work by the people of Kenya.